

CORRECTED FISCAL NOTE

SB 3929 - HB 3862

March 5, 2008

SUMMARY OF BILL: Requires non-participating tobacco manufacturers selling cigarettes in Tennessee to make current escrow payments in quarterly installments and to certify quarterly to the Department of Revenue (DOR) their compliance with the Tennessee Tobacco Manufacturer's Escrow Fund Act of 1999. Requires all persons or entities that sell cigarettes manufactured by non-participating tobacco manufacturers to report such cigarette sales, and other specified information, on a monthly basis to DOR. Requires each manufacturer or importer who sells cigarettes in Tennessee to provide a bond to DOR for any taxes that may be due on the sale of such cigarettes.

ESTIMATED FISCAL IMPACT:

On February 28, 2008, we issued a fiscal note for this bill indicating *a one-time increase to state expenditures of \$38,000 and a recurring increase to state expenditures of \$126,300*. The original fiscal note incorrectly assumed a July 1, 2008 effective date. As a result, the fiscal note has been corrected to reflect the January 1, 2009 effective date as proposed.

Increase State Expenditures –

\$38,000/One-Time

\$63,200/FY08-09

\$126,300/FY09-10 and Succeeding Years

Assumptions:

- The Department of Revenue (DOR) indicates that by requiring all retailers that sell cigarettes manufactured by non-participating tobacco manufacturers, as many as 50,000 new accounts could be added that the Department will be responsible for collecting and maintaining monthly sales data for. These retailers would consist of numerous types: drugs stores, grocery stores, mini markets, gas stations, and others.
- DOR will also be responsible for obtaining data on the categories of tobacco products sold, stamped and unstamped cigarette sales,

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wholesaler to wholesaler tobacco sales, wholesaler to retailer tobacco sales, and copies of corresponding invoices for such sales.

- One Administrative Services Assistant 3 position and two Administrative Services Assistant 2 positions will be required for DOR to implement the provisions of this bill. The recurring increase to state expenditures for the three positions is estimated to be \$126,300 per year (salary, benefits, supplies, communications, etc.). One-time state expenditures associated with the three positions is estimated to be \$13,800 (computers and software, etc.).
- One-time state expenditures for computer and software modifications are estimated to be \$24,200.
- The first-year impact is estimated at 50 percent of the first full-year impact due to the January 1, 2009 effective date.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc